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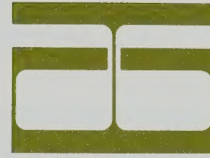
AGT Data Systems Limited

**1969
ANNUAL
REPORT**



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AGT Data Systems Limited

OFFICERS

Gerald A. Wanless
President

Fredrick T. White
Executive Vice-President

Harvey S. Gellman
Vice-President

Ronald C. Carroll
Vice-President

David R. McCamus
Vice-President

Larry W. Shick
Vice-President

Joseph L. Davin
Secretary-Treasurer

DIRECTORS

Harvey S. Gellman

Helmut Lerchs

David R. McCamus

George H. Montague

Larry W. Shick

Gerald A. Wanless

Fredrick T. White

HEAD OFFICE

74 Victoria St., Toronto 210.



AGT
Data Systems
Limited

To our Shareholders

The past year has been one of remarkable progress for AGT Data Systems Limited. In the summer of 1968, the Company was a small business with approximately thirty people providing consulting services to government and industry. Since that time, the Company has established divisions in many facets of the computer services industry and now has a staff of over two hundred.

By January 1969, the first public issue of the Company's shares was completed and the ground work was laid for its Data Services Division. In March, the Company acquired DCF Systems Limited, a well-established management and computer consulting firm. Consulting activities of both firms were then merged, with Dr. H. S. Gellman continuing as President of DCF Systems Limited, which now operates as the Consulting Division of the Company.

In addition, the Company has acquired exclusive marketing and servicing rights to the on-line accounting services of Keydata Corporation; the time-sharing services of the large computer configuration in Ottawa operated by Systems Dimensions Limited; and the educational computer programs of Education Management Systems, Inc. of Seattle, Washington. The Company also

has acquired ProConsul Computer Services Limited and G & N Associates Limited which have specialized computer service products; has established a manufacturing division under its subsidiary, Ruscom Logics Limited; and has entered the United States market through its new subsidiary, AGT Management Systems Inc., which will operate initially in the western United States.

Working and investment relationships have been established with the Bank of Montreal. The Company's Consulting Division, DCF Systems Limited, has entered into a large consulting contract with the Bank of Montreal extending initially over the next two years. Also, the Bank of Montreal has made a substantial investment in the Company, having recently purchased 100,000 shares for \$1,500,000. The Bank of Montreal now holds over 8 percent of the Company's outstanding shares.

Working and investment relationships have also been established with Montreal Trust Company with whom the Company has combined to offer a new service called "Fundservice" to mutual fund organizations around the world. This service combines the administrative skills of Montreal Trust Company with the computer processing skills of the Company. This new service has been well

received by several large international mutual funds.

At the time of the Company's first public issue of shares, the Company's prospectus outlined its planned financial performance over the following two year period. Although the acquisitions and the new products outlined above have resulted in new sources of revenue, they have also resulted in increased development expenses. The net loss for the year ended June 30, 1969 was \$211,877. Additional planned operating losses will be necessary before these new projects are profitable.

Because of the technical nature of its operations, the Company depends heavily on the continued services of its professional staff and the Company's progress to date has been due to the outstanding efforts of its team of employees. The Company believes that the strengths of our employees constitute our greatest asset in attaining the goal of a strong and diversified company.

Gerald A. Wanless
President.

December 11, 1969



**AGT
Data Systems
Limited**

and its wholly-owned subsidiaries

1991781
1752977

238,804

Consolidated Statement of Loss for the year ended June 30, 1969

(with the unaudited 1968 figures for comparison)

	1969	1968 (Note 14)
Revenue:		
Professional fees	\$1,729,047	\$952,867
Manufacturing sales	23,930	—
Total revenue	1,752,977 ✓	952,867 ✓
Expenses:		
Salaries, bonuses and benefits	1,407,868	671,985
General and administrative expenses	583,913	179,442
Total expenses	1,991,781	851,427
LOSS (INCOME) FROM OPERATIONS	238,804	(101,440)
Other Income:		
Interest on deposit receipts	27,060	—
Gain on disposal of fixed assets	1,949	—
	29,009	—
LOSS (INCOME) BEFORE INCOME TAXES	209,795	(101,440)
Recovery of (provision for) Income Taxes (Note 8):		
Current	(11,390)	(34,528)
Deferred	33,577	(1,460)
	22,187	(35,988)
LOSS (INCOME) BEFORE EXTRAORDINARY ITEMS	187,608	(65,452)
Extraordinary Items:		
Organization and re-organization expenses written off	36,869	—
Adjustment of deferred income taxes (Note 8)	(12,600)	(29,500)
	24,269	(29,500)
NET LOSS (INCOME) FOR THE YEAR	\$ 211,877 ✓	\$ (94,952)

The accompanying notes are an integral part of the financial statements.



AGT
Data Systems
Limited

formerly MSL Management Systems Limited
Incorporated under the Canada Corporations Act
and its wholly-owned subsidiaries

Consolidated Balance Sheet as at June 30, 1969

(with unaudited 1968 figures for comparison)

ASSETS

	1969	1968 (Note 14)
Current Assets:		
Cash	\$ 58,720	\$ 19,445
Deposit receipts	410,527	10,000
Accounts receivable:		
Trade	535,711	283,306
Other	33,034	2,411
Sundry investment	—	20,000
Inventories (Note 3)	16,114	—
Income taxes recoverable	14,682	1,491
Prepaid expenses	17,709	2,974
Total current assets	<u>1,086,497</u>	<u>339,627</u>
Non-current Receivable (less current portion)	<u>37,030</u>	<u>—</u>
Fixed Assets— at cost (Note 5)	317,451	95,615
Less accumulated depreciation and amortization	<u>51,063</u>	<u>28,845</u>
Net fixed assets	<u>266,388</u>	<u>66,770</u>
Other Assets:		
Excess of cost of shares of subsidiary over underlying net assets at date of acquisition (Note 1)	1,481,346	—
Organization expense	—	841
Deferred development costs (Note 4)	75,443	8,600
Goodwill (Note 6)	—	250,000
Total other assets	<u>1,556,789</u>	<u>259,441</u>
Total	<u>\$2,946,704</u>	<u>\$665,838</u>

LIABILITIES AND SHAREHOLDERS' EQUITY

	1969	1968 (Note 14)
Current Liabilities:		
Bank indebtedness (Note 7)	\$ 160,089	\$141,692
Accounts payable and accrued charges	192,208	62,753
Employee deductions	39,378	11,357
Advances received on contracts	18,905	476
Shareholders' loans payable	—	4,200
Estimated income taxes payable	5,584	5,339
Total current liabilities	<u>416,164</u>	<u>225,817</u>
Long-term Debt:		
Advances from shareholders	—	276,895
Liability repayable at \$200 per month through January 1, 1972, less current portion	4,000	6,400
Total long-term debt	<u>4,000</u>	<u>283,295</u>
Deferred Income Taxes (Note 8)	<u>7,134</u>	<u>1,710</u>
Shareholders' Equity:		
Capital stock (Notes 9, 10, 11 and 15):		
Authorized:		
2,000,000 shares without nominal or par value		
Issued and fully paid:		
1,118,520 shares	2,780,168	3,901
Contributed surplus of subsidiary (no transactions during the year)	300,000	300,000
Deficit	(560,762)	(148,885)
Net shareholders' equity	<u>2,519,406</u>	<u>155,016</u>
Total	<u>\$2,946,704</u>	<u>\$665,838</u>

Approved by the Board: Gerald A. Wanless, Director Fredrick T. White, Director

The accompanying notes are an integral part of the financial statements.



**AGT
Data Systems
Limited**

and its wholly-owned subsidiaries

**Consolidated Statement of Source and Application of Funds for the year ended
June 30, 1969** (with the unaudited 1968 figures for comparison)

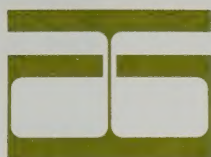
	1969	1968 (Note 14)
Source of Funds:		
Funds provided from operations	\$ —	\$112,803
Issue of common stock	2,776,267	—
Proceeds on disposal of fixed assets	5,043	4,500
Total funds provided	<u>2,781,310</u>	<u>117,303</u>
Application of Funds:		
Funds applied to operations	159,214	—
Excess of cost of shares of subsidiary over underlying net assets at date of acquisition	1,481,346	—
Additions to fixed assets	227,574	54,771
Repayment of advances from shareholders	226,895	26,892
Deferred development costs	90,328	—
Increase in non-current receivable	37,030	—
Organization expense	—	841
Reduction of long-term liability	2,400	2,400
Total funds applied	<u>2,224,787</u>	<u>84,904</u>
INCREASE IN WORKING CAPITAL FOR THE YEAR	<u>556,523</u>	<u>32,399</u>
WORKING CAPITAL AT BEGINNING OF THE YEAR	<u>113,810</u>	<u>81,411</u>
WORKING CAPITAL AT END OF THE YEAR	<u>\$ 670,333</u>	<u>\$113,810</u>

The accompanying notes are an integral part of the financial statements.

Consolidated Statement of Deficit for the year ended June 30, 1969
(with unaudited 1968 figures for comparison)

	1969	1968 (Note 14)
DEFICIT AT BEGINNING OF THE YEAR	\$ 148,885	\$ —
Add:		
Deficit of pooled subsidiaries at July 1, 1967	—	243,837
	<u>148,885</u>	<u>243,837</u>
Add:		
Net loss (income) for the year	211,877	(94,952)
Goodwill written off (Note 6)	250,000	—
	<u>610,762</u>	<u>148,885</u>
Deduct:		
Forgiveness of debt by shareholders (Note 6)	50,000	—
DEFICIT AT END OF THE YEAR	<u>\$ 560,762</u>	<u>\$148,885</u>

The accompanying notes are an integral part of the financial statements.



AGT Data Systems Limited

and its wholly-owned subsidiaries

Notes to Consolidated Financial Statements June 30, 1969

1. Principles of Consolidation

As a result of an offer made November 16, 1968, effective as of September 30, 1968, the company acquired all of the outstanding shares of AGT Management Systems Limited for a cash consideration of \$1,500,000. The accounts of this subsidiary have been consolidated on the purchase-acquisition basis, and the excess cost of the shares of the subsidiary over the underlying net assets at date of acquisition, of \$1,481,346, reflected as an asset.

During the year, the company issued 354,500 shares as a result of the acquisition of all of the outstanding shares of the following companies:

DCF Systems Limited
ProConsul Computer Services Limited
G & N Associates Limited

These acquisitions have been accounted for on a pooling-of-interests basis and, accordingly, the 1968 comparative figures have been restated to include the operations of these acquired companies. The directors deemed the consideration received for these shares to be in the amount of \$5,526,692.

In addition, the accounts of Ruscom Logics Limited, a subsidiary incorporated during the year, are included in the financial statements.

2. Accounting Procedures

During the year, a subsidiary adopted the group's policy of recording professional fees earned but not billed. This had the effect of reducing the net loss for the year by approximately \$13,500.

The 1968 comparative figures have been restated to reflect the adoption of this policy effective July 1, 1967.

3. Inventories

Inventories have been valued as follows:

Raw materials—at the lower of cost or replacement cost . . .	\$10,428
Work in process—at the lower of cost or net realizable value . . .	5,686
	<u>\$16,114</u>

4. Deferred Development Costs

It is the company's policy to defer costs related to product development and amortize such costs over a project's estimated useful life, which normally does not exceed two years. Expenses for the current year include amortization in the amount of \$23,485 (1968- \$2,400).

Deferred development costs at June 30, 1969 also include costs relating to Divisions of the company which had not commenced operations at that date.

5. Fixed Assets

The major categories of fixed assets and accumulated depreciation and amortization at June 30, 1969 are as follows:

	Amount	Rates
Furniture and fixtures . . .	\$146,342	10% straight-line
Automobiles . . .	34,526	30% declining-balance
Leasehold improvements .	136,583	Term of lease—straight-line
	<u>317,451</u>	
Less accumulated depreciation and amortization . . .	51,063	
	<u>\$266,388</u>	

It is the company's practice to provide for depreciation of fixed assets at the above-mentioned rates from the date the assets are employed. Expenses for the current year include depreciation and amortization in the amount of \$24,862 (1968- \$13,991).

6. Goodwill Written Off

During the current year, two subsidiaries, which are accounted for on the pooling-of-interests basis, wrote off goodwill in the amount of \$200,000 and \$50,000, respectively. In addition, the vendor-shareholders of the latter subsidiary, prior to its acquisition by the company, forgave a related liability of \$50,000.

7. Bank Indebtedness

The bank indebtedness includes a loan incurred by a subsidiary and is secured by a general assignment of its book debts.

8. Deferred Income Taxes

The company and its subsidiaries have adopted the practice of recording deferred income taxes, with the exception that amounts so recorded do not reflect tax losses available to be carried forward. At June 30, 1969, there were losses of approximately \$363,000 for application against future taxable income. Of these losses \$53,400 relates to deferred development costs. In addition, depreciation recorded in the accounts exceeds capital cost allowances claimed for tax purposes by an amount of \$58,000.

Income taxes otherwise payable for the current year, in the amount of \$12,600, have been eliminated by the application of prior years' losses carried forward. This elimination is reflected as an extraordinary item in the consolidated statement of loss. The 1968 comparative figures have been restated to reflect the adoption of this policy by the company and its subsidiaries effective July 1, 1967.

9. Capital Stock

Changes in the company's capital stock are summarized as follows:

	Shares	Amount
Balance at June 30, 1967 and 1968 . . .	300,000	\$ 300
Issued for cash . . .	450,000	2,664,000
Pooling of interests (Note 1)	354,500	4,896
Share options exercised (Note 10) .	14,020	110,972
Balance at June 30, 1969	<u>1,118,520</u>	<u>\$2,780,168</u>

During the year, the company obtained supplementary letters patent increasing the authorized capital from 350,000 to 2,000,000 shares without nominal or par value, changing the company name to AGT Data Systems Limited, and converting the company, effective December 13, 1968, from a private to a public company.

10. Share Options

At June 30, 1969, the company has reserved 62,584 and 48,396 shares under 1968 Share Option Plan for Employees and 1969 Share Option Plan for Employees, respectively. Pursuant to these Plans, the company may grant options to full-time senior officers and employees, enabling them to purchase shares during the period April 1, 1969 to March 31, 1974, at a price per share, under the 1968 Plan, no less than the greater of \$7 or 90% of the market price (as determined under the 1968 Plan) on the day of grant of the option and, under the 1969 Plan, no less than the greater of \$15 or 90% of the market price (as determined under the 1969 Plan) on the day of grant of the option. The options are exercisable by the optionee as to not more than 20% in each year on a cumulative basis, and expire on March 31, 1974.

Changes during the year in the share options outstanding under the Plans are summarized as follows:

	Number of Shares
1968 Plan:	
Authorized	<u>75,000</u>
Granted at \$7 per share (excluding cancelled options for 2,660 shares)	72,340
Exercised for \$86,912	12,416
Outstanding at June 30, 1969	<u>59,924</u>
1969 Plan:	
Authorized	<u>50,000</u>



AGT Data Systems Limited

and its wholly-owned subsidiaries

Notes to Consolidated Financial Statements

June 30, 1969 (continued)

Granted at \$15 per share (excluding cancelled options for 400 shares)	43,620
Granted at \$18 per share	2,800
	<u>46,420</u>
Exercised for \$24,060	1,604
Outstanding at June 30, 1969	<u>44,816</u>

On July 4, 1969, the authorized number of shares issuable under the 1969 Plan was increased from 50,000 to 60,000 shares.

11. Shares Held in Escrow

At June 30, 1969, 887,500 shares of the company are held in escrow under the terms of eight escrow agreements.

12. Remuneration of Directors and Senior Officers

The remuneration of directors and senior officers, as defined by the Ontario Securities Act, for the year amounted to \$209,485, of which \$156,075 represented remuneration of directors, who are full-time employees of the company.

13. Lease Commitments

Under lease obligations for office premises, the company and its subsidiaries are committed to minimum annual rentals (exclusive of taxes, insurance and other occupancy charges) as follows:

1970	\$223,803
1971	217,566
1972	176,316
1973	170,383
1974	128,716
1975	16,130

14. Unaudited Comparative Figures

The 1968 figures are presented for the purpose of comparison only and have been adjusted for the pooling of interests mentioned in Note 1. In addition, they reflect the restatement of prior year figures as a result of the changes in accounting policy outlined in Notes 2 and 8. They are not covered by the accompanying report of Deloitte, Plender, Haskins & Sells.

The audited balance sheet of the company as at June 30, 1968, as previously reported, is as follows:

Asset:	
Organization expense	<u>\$841</u>
Liability and capital stock:	
Due to AGT Management Systems Limited	<u>\$541</u>
Capital stock:	
Authorized—350,000 shares without nominal or par value	
Issued and fully paid—	
300,000 shares	<u>300</u>
	<u>\$841</u>

The company was inactive from March 28, 1967, its date of incorporation, to September 30, 1968.

15. Subsequent Events

Under the terms of an agreement dated July 23, 1969, the company issued 100,000 shares to the Bank of Montreal for a cash consideration of \$1,500,000 and granted to the bank an option, which expires on August 13, 1973, to purchase 50,000 shares as follows:

30,000 shares at \$15 per share up to July 31, 1971 and thereafter at the greater of \$15 or 90% of the market price per share; and, if exercised, a further

20,000 shares at the greater of \$15 or 90% of the market price per share.

Under the terms of a licensing agreement dated as of June 4, 1969, signed and executed subsequent to June 30, 1969, the company acquired certain rights in Canada to the Keydata service offered by Keydata Corporation for a cash consideration of \$250,000 U.S. Of this amount, \$150,000 U.S. is payable prior to June 30, 1970, and the balance, if not due earlier, is due on December 1, 1970.

The company has reserved 90,000 shares to cover its obligation under an agreement dated November 19, 1969. Pursuant to the agreement, employee-shareholders having a minority interest in a subsidiary, incorporated subsequent to June 30, 1969, may individually exchange their holdings in the subsidiary, in whole or in part, for up to 90,000 shares of the company on a formulated exchange rate basis on December 1, 1972, 1973 or 1974. The company, on or after December 1, 1974, may also require such an exchange on the same basis.

Under the terms of a licensing agreement dated as of July 2, 1969, the company acquired certain marketing and servicing rights in Canada to the computer services of Systems Dimensions Limited.

Under the terms of a licensing agreement dated as of September 1, 1969 the company acquired certain marketing and processing rights in Canada to the Fundservice (mutual fund service) of the Montreal Trust Company.

On December 8, 1969, the company issued 10,000 shares to the Montreal Trust Company for a cash consideration of \$150,000.

Auditors' Report

To the Shareholders of
AGT Data Systems Limited
(formerly MSL Management
Systems Limited):

We have examined the consolidated balance sheet of AGT Data Systems Limited and its wholly-owned subsidiaries as at June 30, 1969 and the consolidated statements of loss, deficit and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at June 30, 1969 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year (after revision of the financial statements for that year as explained in Notes 2 and 8 to the consolidated financial statements).

DELOITTE, PLENDER,
HASKINS & SELLS
Chartered Accountants.

Toronto, Ontario.
December 9, 1969



**AGT
Data Systems
Limited**

General

The corporate philosophy of AGT Data Systems Limited is to develop computer-based products and services to meet the specific needs of government and industry. The current range of services and products has been developed from the Company's own research and development programme, from licensing arrangements with other companies and from the acquisition of companies holding proprietary rights to certain products and services. AGT

has emphasized personnel and ideas. It now has more than two hundred employees and has considerable computer capacity, both leased and available under working arrangements with other companies. It is functionally organized into a Consulting Division, a Data Services Division, an Engineering Applications Division, a Manufacturing Division and several product oriented Divisions.

Consulting Division

The services offered by DCF Systems Limited encompass the analysis, design and implementation of information systems and control systems. Information systems designed by the Company have ranged from general accounting systems to complex planning models involving advanced analytic techniques. Projects may involve work on a specific problem in an existing system or may entail the

design and implementation of an entirely new system. The Consulting Division's clients include companies in the publishing, manufacturing, construction, advertising, financial, distribution and service industries as well as provincial and federal government departments. During the past year the Consulting Division was retained by over seventy clients.

Data Services Division

The Data Services Division is presently providing custom data processing services, computer-time sales, time-sharing services and industry oriented processing packages. This

Division has available a broad range of support services and machine resources, including the largest computer available in Canada.

Product Divisions

Keydata Canada Division—This service is a low cost terminal-based accounting service for small and medium sized businesses, requiring no computer programming or computer staff on the part of the customer. The Keydata service was developed by Keydata Corporation of Watertown, Massachusetts, U.S.A. The Company has exclusive marketing rights for the service in the Provinces of Ontario and Quebec.

utility of Systems Dimensions Limited. The price-performance characteristics of this service, when coupled with its compatibility with most IBM System 360 installations in Canada, make this service applicable to many large computer users in Canada.

SDL Computer Services Division—This Division has exclusive marketing and servicing rights in the Toronto and Montreal areas and in certain other areas of Canada to the time-shared terminal-based computer

Education Management Systems Division—This Division offers a comprehensive set of computer-based services to the educational community throughout Canada including a terminal-based financial accounting system which can be utilized to effectively administer any large school system or board.

Engineering Applications Division

Manufacturing Division

United States Market

ProConsul Computer Services Limited offers land surveying services based upon the coordinate concept of establishing an information base on the ground that will not be disturbed by construction work. At present, this approach is being used in the development of practical solutions to immediate problems. ProConsul intends to integrate this approach into a general surveying system which would be of special interest to government agencies such as assessors, planners, surveyors and realty departments.

Ruscom Logics Limited designs and manufactures specialized computer equipment particularly subsystems which enable the systems designer to have a greater selection of peripheral equipment. These devices include line printers, keyboards, discs, data gathering equipment, information storage and retrieval systems, computer terminals and data conversion equipment.

The Company's operating subsidiary in the United States is AGT Management Systems Inc. which commenced its activities by recently acquiring as a wholly-owned subsidiary Education Management Systems, Inc., a Seattle-based computer consulting company. The activities of AGT Management Systems Inc. presently have a strong emphasis on educational data processing consulting. However, it is intended that AGT Management Systems Inc. will offer the full range of the Company's products and services.

